

## MINUTES

### MILWAUKIE CITY COUNCIL WORK SESSION JUNE 7, 2005

**Mayor Bernard** called the work session to order at 5:30 p.m. in the City Hall Conference Room.

Council Present: Councilors Barnes, Collette, Loomis, and Stone.

Staff Present: City Manager Mike Swanson, Engineering Director Paul Shirey, Finance Director Stewart Taylor, Community Services Director JoAnn Herrigel, and Operations Director Kelly Somers.

#### **Clearwater Draft Implementation Plan**

**Kent Squires**, Director Water Environment Services (WES), and **Jay Bacon**, WES, reviewed the key points of the Clearwater Implementation Plan.

**Mr. Squires** provided copies of the recently completed second draft which had changed rather substantially from the first draft in terms of the recommendation and information. He did not anticipate the second draft would change significantly prior to adoption. He noted there were still other entities with which he would be meeting to discuss stakeholder needs.

The project started about 2-1/2 years ago with the wastewater treatment option study that was a technical and financial evaluation of long-term service delivery in the region. The goal was to look at opportunities and liabilities and develop data for informed decision-making. Several conclusions were reached. The collection and treatment would cost approximately \$1.8 billion over the next 30 years in capital and operations. About \$400 million to \$500 million was capital expense, and the balance was operations costs. Those costs did not change significantly whether or not business was done differently. Regionalization was the most advantageous both from an environmental and economic perspective. Wastewater services could be an asset because plants were built differently than they were 30 years ago when the Kellogg Plant was constructed. He commented on a new facility in Vancouver, Washington that included amenities and used state-of-the-art technology.

In addition to community amenities, there were opportunities to improve the highest and best use of the land of the current sites. Wastewater services could be provided to the North Clackamas area in an affordable manner. The greatest benefit from regionalization was reduced cost of service. The economies of scale accrued to everyone in the region and did not focus on areas subject to the most growth. Growth paid for itself because the system development charges (SDC) would return 100% of the cost of providing wastewater treatment and transmission. Assessment districts and collection charges provided for the infrastructure necessary to deliver that service. It was easily demonstrated that growth paid for growth because a large portion of the cost of operations was in

labor costs. Labor at a treatment plant did not increase proportionally with the volume of flow or the population served. Regionalization would provide for concurrent service delivery, so potential moratoriums would not be a concern.

WES shared the data with elected officials and held 7 focus group meetings and 7 general public meetings. Additionally, WES spoke with other groups such as City Councils, Rotary Clubs, and other civic organizations that had an interest in the process and project. WES heard about the concerns and values of about 400 people during the process including employees of the potentially affected jurisdictions. The result was the draft implementation plan for regionalization of wastewater treatment in the North Clackamas area.

**Mr. Bacon** reviewed the partner relationships using a pie chart. In 2000, Clackamas County was 37%, and there was no Damascus and little Happy Valley. There was a paradigm shift, so rather than competition, there was collaboration. The point was that everybody won or everybody lost. He discussed wholesale and retail rates. He noted that annexations were not accounted for in the chart. Expansion was assumed at Kellogg or Tri-City, and no other site was included.

**Mr. Squires** added the proposal was a complete partnership within the service area with everyone viewed as an equal player in the regional facility. He offered to discuss the options considered in the past if the Council wished. Regionalization focused on single wastewater treatment facility at the Tri-City Plant in Oregon City. That site did not have a lot of potential for other uses because it was in the floodplain, and it was not sitting in any jurisdictions' downtown. A river and a freeway bordered the site, so there were not a lot of options for the property's use. The treatment plant would be on the most easterly portion of the site, and there would be regional recreational facilities on the west side. He noted that the Tri-City Service District adopted this plan.

**Mr. Squires** discussed costs. The wholesale rate was applied to the three cities, and the Tri-City Service District provided all of the retail collection and maintenance. In Milwaukie's case, that was currently done through Kellogg. The study evaluated what would happen if the entities continued to do business as usual or decided to regionalize. He discussed rate history. Kellogg was built about 27 years ago, and Tri-City was built about 19 years ago. 75% federal grants were available at that time to build those facilities with a 20-year future capacity. That capacity had been gone at Kellogg for some time, and Tri-City was now at that point. There were no more federal grants causing the cost line to escalate; however, the cost projections for the participants were relatively equal. In 2018 and 2019, the lines began diverging, and by 2030 there would be about a \$6 to \$7 rate differential in the "business as usual" scenario versus the partnership scenario. The difference in monthly rates would be about \$31 to \$32 versus \$29 to \$30 per month. He noted the annual 3% inflation rate and increased labor, energy, and chemical costs.

**Mr. Squires** discussed the retail rate forecast. There was not a lot of difference on the retail side between going it alone and partnering. This was not simply

about the cost of service. It was about a better environment, cleaner water, highest and best use of land, plus intangible benefits that could be derived from doing business differently. He discussed the Clearwater benefits that included improved water quality, economies of scale, regional trails and recreation fields, a transmission system capped by a trail, partnership equity, reliability of service as a function of technology, a strong advisory committee using Tri-City model, and concurrency of infrastructure. Either or both the Tri-City of Kellogg facilities could be expanded. No expansion would lead to a building moratorium without additional capacity

**Mr. Squired** discussed next steps. Once all the cities were on board, then the proposal would go back to the County Commissioners. The recommendations included an intergovernmental agreement (IGA) between Clackamas County Service District #1 and Tri-City to move the project forward and jointly share the facility. Once Kellogg went off line in 2010, that arrangement could be reconsidered. The city managers that participated on the Tri-City Advisory Committee were very comfortable with that and felt they had been effective. Milwaukie would be asked for \$5 million for the decommissioning of the Kellogg facility. How that was paid and over what period of time was open for negotiations. Milwaukie was also being asked to contribute \$1 per equivalent dwelling unit (EDU) per month surcharge for a period of 10 years to help facilitate the payment for the construction for the transmission system. The study also recommended that the City of Milwaukie be given the first option to buy the property once the facility was decommissioned giving it control over how the property developed.

**Mayor Bernard** asked Mr. Squires and Mr. Bacon to talk about their experience.

**Mr. Squires** started in 1972, and Mr. Bacon started with Multnomah County in 1969 building collection systems and pump stations and allocating those costs to the benefited property owners.

**Mr. Squires** added that the Plan also recommended that Milwaukie annex to the Service District. That did not mean Milwaukie gave up local control of the collection system, personnel, maintenance, or service responsibility. It made Milwaukie an equity partner in the new facility. Milwaukie paid about 40% of the Kellogg capital costs but had no ownership. By annexing to the District, Milwaukie would become an owner.

**Councilor Collette** asked the consequence of having equity.

**Mr. Squires** replied that Milwaukie would be buying the capacity. If someone chose to privatize operations and maintenance, then those who had equity share would get some of that value.

**Mr. Swanson** commented WES recommended the Tri-City model. In his experience, the County Board was still the governing body, but there was a more formal structure in terms of the advisory roles of the cities. The cities would be asked to weigh in on the larger issues and also participated on the budget committee. By annexation, he felt Milwaukie would have a more formal role

while the County Commissioners were still the governing body. He was not in favor of creating another unit of government.

**Mr. Squires** observed it was a vested interest, and the City would have ownership and a full seat at the table.

**Mr. Bacon** discussed expenses that tended to level out after a period of time. There were peaks and valleys depending on what types of maintenance were scheduled. The District would be responsible for budgeting, and the wholesale rates would be more predictable. He noted that capital was driving about 50% of the cost.

**Councilor Collette** understood that the City of Lake Oswego was interested in partnering. Did the Plan consider Lake Oswego's participation, and how would that influence the costs and benefits?

**Mr. Squires** replied the Plan did not consider Lake Oswego; it was not in original scope of work. There have been several discussions with the Cities of Lake Oswego and Portland regarding the Tryon Creek Wastewater Treatment Plant. Similar to Milwaukie, the Plant is located on Lake Oswego's waterfront. There should be some idea of the economic feasibility in about two months. Having some or all of the Tryon Creek flow to the Tri-City facility would be advantageous because larger facilities are more cost effective. He added that Oak Lodge was part of the original study, and those residents voted against participating. The impact was slight because Oak Lodge had a small customer base and limited growth potential.

**Mr. Bacon** added that the City of Portland also understood the differences between operating a small plant versus a large one and economies of scale.

**Mr. Swanson** commented on the timeframe and when there would be indications of support.

**Mr. Squires** replied it was important to build capacity by next summer. He hoped for a decision by the County Commissioners in the next couple of months. The factor that influenced that the most was getting on City Council agendas and making sure the necessary levels of discussion took place. He thought the Milwaukie Council should consider the IGA. WES needed a similar commitment from Oregon City and Gladstone plus resolutions of support from Happy Valley and West Linn.

**Mr. Swanson** understood the Tri-City Plant had been Oregon City's domain, so this would be a big change.

**Mr. Squires** said each member of the Management Advisory Committee said he/she could support the Plan. He noted the Council had copies of all the IGAs drafted for the cities, and he felt all jurisdictions saw benefits. The public and ratepayers would eventually get something beyond simply rates; they got a better environment, use of the land, community amenities, plus a host of things that built better communities. He outlined the upcoming meetings with other cities and indicated that he hoped to have something before the County Commissioners in July.

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**Councilor Barnes** was glad to hear the concerns about the environment and future growth. As soon as Kellogg was decommissioned, the economic situation for the City and School District would improve. She was concerned about Milwaukie's retaining certain services including retail responsibilities. Further, she did not want Milwaukie ratepayers paying more than their fair share. She was concerned about the negotiable \$5 million and the monthly EDU fee that only Milwaukie customers were expected to pick up. Milwaukie would be sending the strong message that it should not be picking up any extra costs that others were not. No one handed Milwaukie a \$5 million check when Kellogg was built. The bottom line was the waterfront. Milwaukie had waited for a long time and put up with a lot. She wanted the City to be at the top of the list without any debate.

**Mr. Bacon** felt it was important that the City be able to begin planning for the site as soon as the agreement was approved and commented on the length of time that would take.

**Mayor Bernard** asked if decommissioning meant that with the \$5 million that Kellogg was out of the ground.

**Mr. Squire** said that would not include removing the facility. He discussed several approaches. The pump station would have to stay, but it was only about the size of the conference room. There were several buildings that could be of value to the City for community meeting rooms.

**Mayor Bernard** understood one option was expansion and asked where that would take place. He understood it would expand into the neighborhood or the industrial area. Could the County condemn if Milwaukie said "no?"

**Mr. Squires** said the County had the right of eminent domain just as any other governmental agency. However, one governmental agency cannot condemn another. Secondly, the County did not have any veto power over the City's land use code. It would either be done through a collaborative approach, or it would not be done at all.

**Mayor Bernard** understood Milwaukie could control the land through planning.

**Mr. Swanson** commented that the City's ownership of the Safeway property made all the difference in the North Main Village Project. He noted the old plant in Oregon City was removed for a fine restaurant – which was now a McDonald's. He observed that ownership trumped everything.

**Mayor Bernard** understood the trolley trail was driving this. He further understood that the County Commissioners wanted to borrow \$172,000 with the promise that it would be returned. The opportunity with the Trolley Trail would go away as soon as it was built. He could not see that being held off for more than 5 years.

**Mr. Squires** said there was money for the first phase, which was roughly Jefferson Street to Courtney. The force mains would go into the right-of-way ahead of construction. There was an economy of scale in doing that.

**Councilor Collette** asked if the decommissioning was estimated at \$5 million.

**Mr. Squires** replied the calculated depreciated value of the Kellogg facility in 2010 was about \$12.9 million. \$5 million was about 40%, which was Milwaukie's obligation in terms of capital costs. He estimated about \$1.7 million to actually remove the structure to 2-feet below grade. It was concrete, so it was inert and would not settle in the future. He believed the current market value of the property was about \$2.5 million. The \$5 million would be the payment for 40% of the unamortized cost of the property. Milwaukie would have to pay an additional amount if it wanted to purchase the property.

**Councilor Collette** was excited about all the aspects of the Plan with the exception of the concerns expressed by Councilor Barnes. Milwaukie was a working class community and did not have a lot of extra money.

**Mr. Squires** said the goal was to achieve some level of fairness.

**Councilor Stone** asked if there were any guarantees that the rates would be lower.

**Mr. Squires** replied the rates were based on certain assumptions, and he thought the foundation was sound. He believed Clearwater could be a huge win for the entire region with financial, environmental, and intangible benefits.

**Mayor Bernard** asked if Damascus could build its own plant.

**Mr. Squires** replied Damascus could build its own plant or contract with the City of Gresham or WES. There would be a huge amount of pipe regardless of which direction Damascus chose. Estacada was the only entity discharging into the Clackamas, and no more could be added.

#### **Other Information**

**Mayor Bernard** discussed a letter of support for Darlene Hooley's proposal for funding for the locks.

**Councilor Collette** provided information on the City of Portland's proposal to purchase PG&E. She attended an Advisory Council meeting and provided copies of the draft governance proposal. It appeared that the cities and counties were getting everything they asked for in the fundamental principles. That included a plan to turn PGE into a regional entity within 5 years. The goal of the Board would be to transition the utility from City of Portland to regional ownership. If that was not done within 5 years, the counties could move to transfer ownership if there were an entity to assume ownership. It also called for the local governments' retaining the right of condemnation and taking over ownership of their own systems. It was not clear whether it was the line and poles or if it included generation. Salem Mayor Janet Taylor and League of Oregon Cities Director Ken Strobeck were the city representatives on the Council. Commissioner Sowa represented Clackamas County and seemed reluctant to participate. It appeared that Portland was trying very hard to make this seem like a regional utility and not a Portland department. She provided copies of the outreach activities.

**Councilor Collette** spoke with Urban Works who was the commercial marking firm for the Kemper development. She expressed the concern that this not be made up of cookie cutter businesses, and she discussed a possible anchor restaurant.

**Councilor Collette** toured Milwaukie Providence and discussed the One-Baby campaign. 80% of the babies were delivered to indigent families, so the Hospital was trying to recoup its costs by seeking contributions from the community. She suggested the Council consider a proclamation supporting the program.

**Councilor Stone** suggested the hospital have a booth at the Sunday Farmers Market.

### **Oregon Solutions**

**Ms. Herrigel** reported the last Oregon Solutions meeting would be on June 24, and the group hoped to have the completed *Declaration of Cooperation*. The City Council was represented as a participant, and Oregon Solutions would like a statement about what the City would commit to in the longer term.

**Councilor Loomis** felt the Council's *Declaration* should be the strongest of all.

**Councilor Stone** asked if the total cost was roughly \$500,000.

**Ms. Herrigel** replied construction would cost about \$500,000.

**Councilor Stone** asked how this fit with the overall plan to bring in more development such as a marina.

**Ms. Herrigel** said the concept being pursued within the Riverfront Board would keep the context of this discussion between Johnson and Kellogg Creeks. There would be a proposal in July to take a concept or concepts out to the public for comment. This project was between the two creeks but there was an acknowledgement of the large piece of real estate to the south. There was a marina/hotel site in the Downtown and Riverfront Plan. She discussed how staff planned to solicit public comment.

**Councilor Stone** noted that \$500,000 was very little in the way of development, and it would likely cost millions to build what people had in mind.

**Councilor Loomis** asked that the Mayor and Council provide input to Ms. Herrigel.

**Councilor Stone** asked why advisory board appointments were being made by resolution.

**Mr. Swanson** said the code required that certain appointments be made by the City Council, and the resolutions provided for the method. He discussed the need to review the code chapters.

Mayor Bernard adjourned the work session at 6:45 p.m.

Pat DuVal

Pat DuVal, Recorder